



# INTERNATIONAL JOURNAL FOR LEGAL RESEARCH AND ANALYSIS

Open Access, Refereed Journal Multi Disciplinary  
Peer Reviewed Edition :

[www.ijlra.com](http://www.ijlra.com)

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ISSN

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# **UNRAVELING DELISTING DYNAMICS: AN IN-DEPTH ANALYSIS OF SEBI'S SECURITIES LAW FRAMEWORK**

AUTHORED BY - DEVESHI GUPTA

## **ABSTRACT**

*India, being one of the oldest stock market in Asia, has had a transcending journey in the securities market. By surpassing all the vicissitudes in order to establish a transparent and fair regulatory framework for the stock exchanges and its participants. Securities and Exchange Board of India(SEBI) was formed in the year 1992 with the intention to protect investor's interest due to the fact that huge population of Indians invest in stock markets. With maturing of the securities market, it was necessary to introduce regulatory framework on delisting to maintain a balance between promoter's interest in owning the company and public shareholder's rights to contribute in the growth. It was the Securities Contract Regulation Act that paved the way for formation of delisting regulations in the year 2009<sup>1</sup>. Considering the situation of investors in case their invested stocks are not being traded or are illiquid, SEBI has come to their rescue by formulating the regulations for voluntary delisting. Delisting in the process wherein the stocks which are listed on the stock exchange are permanently removed. It may be voluntary or compulsory. While, voluntary delisting is when stockholder wants to delist its shares and compulsory delisting takes place when the SEBI itself delists the company's stock from the stock exchange as a punishment further affecting the reputation of the company. However, the delisting process is cumbersome and thus not in investor's interest.*

*Over the years, SEBI has been amending these regulations owing to the dynamic environment for creating a win-win situation for all. This paper commences with the detailed evolution of the regulatory framework pertaining to delisting by dissecting the regulations and complexities involves in the process. Further, it examines the applicability as well as the effectiveness of the laws in existence. Moreover, evaluation is made in relation to investor protection, market fluctuations and economy growth. It also sheds light on the challenges, amendments and trends in market by case studies. Ultimately, the paper calls for an approach to bring about*

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<sup>1</sup> Review Of Delisting Regulations Page 1 of 26, 2009 1 (2009).

*transparency in the market while safeguarding the interests of all the market participants in the financial ecosystem.*

**Keywords:** *Delisting, investor's interest, transparency, regulatory, framework, SEBI*

## INTRODUCTION

In the dynamic ecosystem of the global securities market, listing and delisting of securities have a significant position, acting as a yardstick to the investor interests, economic fluctuations, as well as the regulatory implications. Delisting Regulations was laid down as an output of amendment in the Securities Contract Regulation Act, 1956<sup>2</sup> in the year 2005. Further, which were enforced in the year 2009 were called namely SEBI (Delisting of Equity Shares) Regulations, 2009. Delisting is a process wherein a public company voluntarily or mandatorily removes its shares from the stock exchanges. It is a complicated process which involves myriad of aspects pertaining to economic, legal and regulatory compliances. Delisting is defined as, *“removal of securities of a listed company from a stock exchange. As a consequence of delisting, securities of that company would no longer be traded at that stock exchange.”*<sup>3</sup> Delisting can be done voluntarily and compulsorily. While in case of former, the reputation of the company is not affected.

The Securities and Exchange Board of India (SEBI) is the regulatory body which was established in the year 1992 under the SEBI Act, 1992<sup>4</sup>. Its role was to regulate the securities market in India. SEBI plays a role of paramount significance in formulating the statutory norms for the Indian financial market. It ensures seamless functioning of the stock markets. The other regulators include Reserve Bank of India as well as the Ministry of Finance which performs ancillary functions in the securities market. The Board works as a watchdog of the securities market ensuring that no participant is being exploited.

The paper discusses about the intricacies of the delisting process within the securities market of India. It seeks to highlight on the multitudinal aspects pertaining to the process itself as well as SEBI's role as a regulator and facilitator of the securities in the market. Delisting though a

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<sup>2</sup> Securities Contracts (Regulation) Act, 1956.

<sup>3</sup> Sebi, FREQUENTLY ASKED QUESTIONS ON SEBI (DELISITING OF EQUITY SHARES) REGULATIONS (2009).

<sup>4</sup> ESTABLISHMENT OF THE SECURITIES AND EXCHANGE BOARD OF INDIA.

corporate decision is influenced by the health of company's finances and strategic objectives which is webbed to wide market dynamics and interest of the market participants.

## **MONEY MARKET: A BRIEF DESCRIPTION**

The money market, which is renowned for its minimal volatility and stability, is an integral component of the broader financial structure. This facility allows both debtors and lenders to promptly meet their financial obligations. This market provides secure and liquid short-term investment opportunities for retail investors, money managers, and banks with excess funds. Additionally, it grants consumers access to low-cost funds from non-financial corporations, banks, broker-dealers, and hedge funds.

The term "money market" encompasses a variety of markets in which lenders and creditors engage in particular transactions. The money markets were significantly impacted in terms of the visibility of various segments due to the global fiscal crisis. Although certain sectors exhibited resilience amidst economic volatility, others revealed themselves to be precarious.

Money markets comprise instruments of short-term finance with maturities spanning from one day to one year. These instruments are specifically engineered to offer substantial liquidity and are readily convertible into currency. Money market instruments include term certificates of deposit, interbank loans, money market mutual funds, commercial paper, Treasury bills, securities financing, and repurchase agreements (repos). According to the Flow of Funds Survey carried out by the Federal Reserve Board, money market instruments constitute approximately one-third of the credit in circulation within the United States financial system.<sup>5</sup> In addition to their distinct qualities, these instruments exhibit variation in their regulatory and trading environments.<sup>6</sup> Some are classified as securities, whereas others are not, and their degree of dependence on collateral value differs.

### **1. Bank deposits and interbank loans**

Bank deposits are a prevalent money market instrument that does not fall under the classification of securities. Certificates of deposit (CDs), despite being transacted similarly to securities at times, are contingent on the creditworthiness of the issuing bank.

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<sup>5</sup> What are Money Markets, International Monetary Funds, <https://www.imf.org/external/pubs/ft/fandd/2012/06/basics.htm> (last visited Nov 2, 2023)

<sup>6</sup> *Id*

During this scenario, speculative funds are entrusted to the bank by depositors, who take into account various factors including the creditworthiness of the institution and the provision of government deposit insurance.

Conversely, interbank loans are unsecured and require creditworthiness assessments of borrowers due to the absence of collateral as security. Amidst the fiscal crisis, the London Interbank Offered Rate (LIBOR) market in England, which signifies the mean interest rate at which prominent banks extend loans to each other, experienced challenges. These difficulties prompted inquiries into the reliability of interbank funding sources and the credibility of the rate-setting procedure.

## 2. Government and Commercial Paper Securities

Commercial paper is unsecured promissory notes issued by significant nonfinancial institutions and well-established financial institutions. To assure repayment, investors rely on the creditworthiness of the issuer. Commercial paper is frequently issued in denominations and maturities ranging from one hundred seventy days to two hundred seventy days, which surpass the financial capabilities of individual retail investors.

## 3. Repurchase and Lending Agreements for Securities (Repos)

As a vital element of the money market, repos offer advantageous interest rates that facilitate lending and borrowing over brief periods of time. Generally, these transactions are completed in less than two weeks, and overnight arrangements are not uncommon. A creditor sells a security in return for cash during a repo transaction, with the stipulation that it will be repurchased at a prearranged date and price. Interest charges are included in this price for the duration of the borrowing period. The security provides the lender with a guarantee. These markets are critical for short selling, which involves the sale of non-existent securities by investors. The short seller must temporarily borrow or acquire the security via repo transaction in order to finalize this transaction. The security must be returned to the lender at the conclusion of the transaction; the short seller may repurchase or borrow it back, profiting if the security's price has decreased.

## 4. MMMFs (Money Market Mutual Funds)

Money market mutual funds (MMMFs) are a type of mutual fund whose principal investment strategy consists of money market instruments—commercial paper, repos,

certificates of deposit, and Treasury bills, among others. Regulatory entities for these funds include the European Union and the United States as investment corporations. A yield with short-term maturities is extended to both institutional and retail investors, entailing minimal risk. MMMFs typically invest in highly rated, short-term, liquid instruments. As opposed to alternative mutual funds that allocate their investments towards equities or bonds, these funds generally maintain a net asset value of \$1 per share, thus guaranteeing negligible fluctuations in value.

#### 5. Complex Sectors: Asset-Backed Commercial Paper and Tripartite Repo Transactions

While many money market sectors are straightforward, some are more complex than others. Asset-backed commercial paper (ABCP) and specific tripartite repo transactions fall under this category. ABCP is utilized by businesses with limited financial assets, such as mortgages and loans, to eliminate these assets from their balance sheets or reduce financing costs. Special-purpose entities are able to acquire these assets more efficiently through the issuance of ABCP, which is backed by the underlying assets. Nevertheless, the transparency of the procedure and the creditworthiness of the issuer might be diminished in comparison to conventional commercial paper issuers. The markets' insolvency pertaining to privately issued mortgage-backed securities impeded tripartite repo transactions. A significant proportion of the collateral on the tripartite repo market consisted of these securities, which led to increased discounts and challenges in pricing due to the lack of a market price. Consequently, financing difficulties arose for banks, securities firms, and hedge funds that were reliant on these money markets. Numerous participants—including governments, banks, and other sizable organizations—provide for their short-term financial needs on the money market. It facilitates industrial development, supports central bank policies, finances commerce, and ensures the self-sufficiency of commercial banks, among other vital functions. It is essential to comprehend the intricacies of money market instruments and their individual functions in order to navigate the financial landscape with proficiency.

The money market is an intricate financial landscape wherein a wide range of products are provided to fulfill the urgent funding and investment requirements of financial industry participants. Financial instruments, including commercial paper and Treasury bills, exert a significant influence on the wider financial system, affecting a multitude of facets including trade financing and central bank policy. By attaining a comprehensive

comprehension of the complexities inherent in the money market, individuals engaged in market activities can with assurance augment their financial strategies and investments.

## **Delisting: Historical Perspective**

Delisting is the process of removing a listed company's securities from the Stock Exchange's listing. Delisting is not the same as the temporary suspension or revocation of admission to trade listed securities.

A suspension of trading in securities denotes a brief period during which no trades may be made in the company's securities. Suspension is an action taken by the Stock Exchanges against the Company, not at the Company's request<sup>7</sup>. corporation, typically for failing to comply with SEBI-mandated listing requirements Regulations, 2015 (Listing Obligations and Disclosure Requirements) (LODR Regulations). After the business satisfies the listing requirements under LODR, Regulations, the stock exchange lifts the trade ban and allows trading. Exchanges of stocks may levy penalties or put a promoter's or promoter group's holdings of specified securities on hold, as might be appropriate while working with depositories in cases of noncompliance with the LODR Rules.

Conversely, "delisting" securities entails removing the company's name from the stock exchange and prohibiting trading in the delisted company's securities. Securities may be delisted voluntarily by the firm or by the stock exchange, without request. Typically, stock exchanges seek to enforce harsh penalties for businesses that force the compulsory delisting of any company's securities last option. The company's reputation is impacted by mandatory delisting. Securities can be delisted in two ways: voluntarily and involuntarily. Obligatory delisting, when a corporation decides to delist voluntarily, it looks for its independently for the delisting of its securities; nevertheless, in the event of a forced delisting, The securities of the company are delisted by the Stock Exchange. Circular No.6/9/SE/78, dated 28.6.79<sup>8</sup>, was issued by the Ministry of Finance's Department of Economic Affairs, Stock Exchange Division, in 1979. It instructed stock exchanges to allow delisting provided the following requirements were met.

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<sup>7</sup> DELISTING OF EQUITY SHARES, file:///C:/Users/lenovo/Desktop/Delisting\_of\_Equity\_Shares\_Law\_Practice ICSI.pdf.

<sup>8</sup> Department of Expenditure | Ministry of Finance |Government of India. Available at: <https://doe.gov.in/sites/default/files/27-01-1979.pdf> (Accessed: 25 November 2023).

- a) According to the audited reports, the listed firm lost money over the previous three years, and its net value is now less than its paid-up capital;
- b) The company's shares haven't changed hands much in the three years prior; (c) The company's shares are still listed, at least on the relevant regional stock exchange.

Any business that doesn't meet one of the aforementioned criteria may bring the matter to the central government and ask for permission to be delisted.

A listed company may be delisted by a recognized stock exchange if the number of public shareholders falls below 5 for every one lakh rupees of capital offered or if the public shareholding falls below 50% of the public offer, according to a Ministry of Finance circular Cir. No. F/14(2)/SE/85 dated September 23, 1985. The circular also included more requirements about the company's capital sufficiency and investor liquidity. Minimum public holdings are currently covered by Securities Contracts (Regulation) Rules 19(2)(b).

#### CHANDRATRE COMMITTEE<sup>9</sup>

Under the direction of Dr. K.R. Chandratre, SEBI established a committee on February 19, 1997, to investigate and offer recommendations on a range of topics related to a company's securities being delisted. The following were the Committee's terms of reference:

- (a) to assess the current circumstances surrounding the delisting of corporate securities listed on reputable stock exchanges and recommend guidelines and practices therein;
- (b) to investigate strategies for maintaining the securities' listing on an ongoing basis and safeguarding investors' interests;
- (c) to examine the process by which businesses pay listing fees to stock exchanges and make recommendations regarding the timing and mode of payment;
- (d) to suggest modifications to laws, rules, regulations, etc. to ensure their implementation to the suggestions made regarding the aforementioned issues.

The Committee concluded that neither of these two circulars addressed the fundamental issue of delisting on the basis of merits, or the lack thereof. While acknowledging that a company's delisting can only occur after it has completed its shareholders' approval, the board suggested that an option be supplied to the businesses in order for them to terminate their Stock Exchange

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<sup>9</sup> DELISTING OF EQUITY SHARES, file:///C:/Users/lenovo/Desktop/Delisting\_of\_Equity\_Shares\_Law\_Practice ICSI.pdf.

agreements.

Committee noted that the following are the most frequent reasons that could result in both mandatory and voluntary delisting:

The primary reasons for mandatory delisting could be:

1. Failure to pay listing fees
2. Failure to adhere to listing criteria
3. Failure to abide by the terms of the listing agreement
4. There is no trading or very little trading
5. Investor complaints not being addressed in spite of numerous reminders
6. Unfair trading methods carried out at the managers' or promoters' request
7. Additional wrongdoings, such as the management's purposeful issuance of duplicate, forged, or authentic share certificates
8. The company's whereabouts and those of its directors and promoters are unknown
9. A decline in the quantity of securities held by the general public.

On December 10, 1997, the Committee turned in its report, which was included as an Annexure. SEBI published Circular SMRDP/CIR-14/98<sup>10</sup> on April 29, 1998, in response to the Chandratre Committee's recommendations. The circular outlined the different clauses that allowed for the voluntary or involuntary delisting of a company's securities from stock exchanges. The aforementioned two Ministry of Finance circulars from 1979 and 1985<sup>11</sup> were withdrawn along with the release of the aforementioned circular.

#### PRATIP KAR COMMITTEE

Many multinational corporations are increasingly removing their shares from Indian stock exchanges, and this trend has drawn attention from the general public, the media, investor associations, and government authorities due to the potential negative effects on the securities market. It was thought that investors were feeling uneasy and anxious about delisting. Many shareholders voiced the opinion that, in weak market conditions, the exit price offered typically does not fairly reflect the company's value and results in a permanent loss of investment opportunity.

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<sup>10</sup> Securities and Exchange Board of India (SEBI), ([https://www.sebi.gov.in/sebi\\_data/docfiles/16536\\_t.html](https://www.sebi.gov.in/sebi_data/docfiles/16536_t.html) last visited 3<sup>rd</sup> November, 2023).

<sup>11</sup> SCHEDULE X-LIST OF SEBI CIRCULARS WHICH STAND RESCINDED [See Regulation 103].

Thus, in order to handle the following issues, SEBI formed a committee, which is chaired by Executive Director Shri Pratip Kar:

- (a) Should regulations be enacted to forbid or discourage companies from delisting from stock exchanges.
- (b) Does the current price mechanism exit option, which is available for companies to voluntarily delist under various SEBI regulations/guidelines, need to be further refined to provide shareholders with adequate compensation, particularly in light of the fact that delisting implies a complete loss of investment opportunity for shareholders.
- (c) if price regulation of this kind would be sufficient to safeguard the interests of minority shareholders and deter shares from being delisted; and whether such price regulation would be at odds with the free pricing regime that SEBI is currently pursuing in the primary market;
- (d) if rules or policies that deter one class of businesses, like MNCs, from delisting should be implemented;
- (e) if distinct pricing rules for companies delisting would create a regulatory arbitrage opportunity with the share acquisition provisions, which are exclusively regulated by the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;
- (f) whether other classes of a company's securities, such as debentures, should likewise be delisted when one class of securities, such as equity, is delisted.

## **REGULATORY FRAMEWORK FOR DELISTING**

Certain procedural safeguards are included in the Delisting Regulations to safeguard the interests of shareholders, particularly minority shareholders. Among them is the designation of a peer review company secretary, who must attest that the proposed delisting isn't the result of any dishonest or fraudulent scheme. Furthermore, the company's board of directors must attest that the proposed delisting is in the company's best interests and complies with all relevant legal requirements. Aside from this, the number of votes cast by public shareholders in favor of the proposed delisting should be at least twice that of those voting against it. The purpose of this numerical threshold is to prevent minority shareholders from being coerced into accepting the proposed delisting. However, because only postal ballots or electronic voting are allowed, and because a small percentage of shareholders use these voting methods, minority shareholders' interests in delisting resolutions are not effectively communicated.

Because of this, the reverse book-building procedure serves as a crucial safety net for minority shareholders. Ever since the Delisting Regulations were introduced in 2003, SEBI has consistently emphasized the advantages of the reverse book-building procedure over the fixed price method. This is because the former guarantees price determination transparency and shields investors from losses resulting from market fluctuations. The implementation of a comprehensive price discovery mechanism based on three types of prices—the floor price, which is the lowest price offered; the indicative price, which is the minimum price plus a premium offered by the promoter/acquirer; and the discovered price, which is the price determined through bids—further strengthened this transparency and protection. The indicative price may be equal to, greater than, or lower than the discovered price. The acquirer/promoter may reject the discovered price if it is higher than the indicative price and make a counteroffer that will not be lower than the company's book value as confirmed by the offer's manager. India is the only country with such a comprehensive system based on the interactions of three distinct prices.

Additionally, 90% of the company's issued shares must be received by the acquirer/promoter cumulatively for a delisting to be successful. The 90% threshold and the detailed price mechanism are typically used by minority shareholders to thwart delisting proposals. They purchase enough shares to guarantee that the 90% benchmark is not met, and they limit the proposed delisting by either placing an outrageously high bid above the indicative price or declining the counteroffer, if one is made. In 2020, this tactic proved effective in the delisting proposal of Vedanta Resources Ltd.

I think a switch to the fixed price method might render minority shareholders completely defenseless, at the whim of the company's board, given the use of the reverse book building process as a defense tactic. Whether the delisting was driven by the promoter or by an acquisition, the exit price of the shares would be determined solely by the board, which was made up of the majority of the company's shareholders (given India's controlled shareholding pattern) and may have worked in concert with the promoter or acquirer. The minority shareholders would not be involved in this decision-making process. Minority shareholders would then only have the minimal protection provided by SEBI's mandate that boards fairly consider the diverse interests of all shareholder groups and the general directorial duties of reasonable care and good faith in their dealings. The effectiveness of these general principles in safeguarding the interests of minority shareholders would remain uncertain because there is no explicit duty of loyalty to the minority shareholders in cases of delisting.

Minority shareholders are not able to challenge the proposed delisting by approaching SEBI, nor do they have any veto rights to oppose it under the current delisting framework. Minority shareholders can effectively protect their interests in such a scenario by utilizing the framework established by the reverse book building procedure along with other Delisting Regulations provisions. Although I applaud SEBI's emphasis on improving business accessibility, minority shareholders' interests shouldn't be sacrificed in the process. Because the fixed price method could have an impact on good corporate governance, SEBI must reconsider its proposal to introduce it.

## VOLUNTARY DELISTING

### Vedanta Limited

Delisting is a crucial process and have been practised by various companies in order to delist themselves from the National Stock Exchange as well as the Bombay Stock Exchange.

Vedanta Limited operates as a subsidiary of Vedanta Resources Limited, a company specialising in natural resources and managing the complete value chain, including primary metal exploration, refining, and conversion into products with added value<sup>12</sup>. Voluntary delisting was pursued by Vedanta Limited because going private enabled management to concentrate more intently on maximizing returns, make quicker decisions, and so forth. As indicated by Moody's, its complex structure and negative ratings were factors. Additionally, the prospective delisting would have granted direct access to cash held on the books of Hindustan Zinc Limited. It would have effectively prevented the possibility of dividend leakage.

Nevertheless, Vedanta Limited ultimately failed to achieve delisting status due to the limited number of offers received (125.47 crore shares versus the required 134 crore shares for a successful procedure).

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<sup>12</sup> Voluntary Delisting - Meaning, Process, Failure Effect - Enterslice, Enterslice, [https://enterslice.com/learning/voluntary-delisting/#Case\\_study\\_of\\_Voluntary\\_Delisting\\_by\\_Vedanta\\_Limited\\_and\\_what\\_caused\\_its\\_failure](https://enterslice.com/learning/voluntary-delisting/#Case_study_of_Voluntary_Delisting_by_Vedanta_Limited_and_what_caused_its_failure) (last visited Nov. 28, 2023).

## RECENT AMENDMENTS

Earlier the delisting process from the stock exchanges in India was governed by SEBI (Delisting of Securities) Guidelines, 2003 issued by SEBI under the 1992 Act<sup>13</sup>. A pressing need for a comprehensive framework for delisting was felt with the growth of stock markets in the nation. A structure wherein an equilibrium was being established between promoter's enthusiasm to own and public shareholder's participation rights in company's growth. With the amendment of Securities Contract Regulation Act, 1956 in 2005 which put forth the path for delisting norms. Further, guiding the government to notify SEBI (Delisting of Equity Shares) Regulations, 2009 providing procedural aspects to the concept of delisting itself.

Bringing a paradigm shift the new norms are comparatively more promoter oriented as well as shareholder benefitted. Introducing measures providing transparency, essence of time, however until proper implementation the success of the same cannot be predicted. The Consultation paper by SEBI titled "Review of Voluntary Delisting Norms under SEBI (Delisting of Equity Shares) Regulations, 2021" released on 14<sup>th</sup> August, 2023 provided for a comprehensive approach to the whole aspect.

SEBI has proposed introduction of fixed price delisting as an alternate path to Reverse Book Building process. Fixed price delisting process would be allowed for company's whose shares are frequently traded as defined under the Takeover code. PMAC (Primary Market Advisory Committee) has put forth recommendations include processes alternate approaches to determine delisting prices through Reverse Book Building. The Regulator has also proposed introduced of fixed price delisting as an alternative to Reverse Book Building. SEBI planned to amend for certain stocks, currently, company's voluntarily delisting shares extend an exit opportunity to public shareholders.<sup>14</sup> Exit price is established when promoter's cumulative shareholding in addition to public shares tendered reaches 90% of total issues shares through Reverse Book Building(RBB). When the promoter finds the discovered price acceptable, all tendered shares are accepted at that rate. If not, promoter can propose a counter offer to public shareholders or reject the discovered price.

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<sup>13</sup>Nishith Desai Associates, "Securities Contracts (Regulation) Act, 1956," Nishith Desai Associates Website, [https://www.nishithdesai.com/generateHTML/5919/4#:~:text=Securities%20Contracts%20\(Regulation\)%20Act%20on%20June%2010%2C%202009%20has](https://www.nishithdesai.com/generateHTML/5919/4#:~:text=Securities%20Contracts%20(Regulation)%20Act%20on%20June%2010%2C%202009%20has) (last visited Nov. 2, 2023).

<sup>14</sup> Staff Writer, "Regulator Proposes to Ease Delisting Norms," Livemint, <https://www.livemint.com/market/regulator-proposes-to-ease-delisting-norms-11692038697098.html> (Published 15th August 2023).

Pertaining to certain challenges with the current delisting norms and SEBI's plan to amend the same are convincing. Challenges arise when promoter/acquirer's post offer sharing (shareholding) doesn't meet 90% threshold preventing them from making counter offers to public shareholders. Resulting in, failed delisting offer even when majority of public shareholders favoured delisting.

In order to address the issues, the committee suggests lowering threshold for counteroffers would enable acquirer to propose counteroffers based on public shareholders' bids. The proposal is also aimed at permitting listed holding company's to delist by way of a swap of listed shares they own and distribution of cash for other assets. Considering the tax aspects, share swap and cash payment for unlisted assets will be treated as a deemed dividend to extent of accumulated profits of holding company. Any excess received by public shareholders will be treated as Capital Gains. Public shareholders will need to consider whether benefits under section 112A<sup>15</sup> and availability of January 2018 price as the grandfathered cost will be available for capital gains. Shares of listed company received as part of share swap, public shareholder will need to evaluate whether, on a subsequent sale of shares benefits under section 112 A will be available or not. For holding company, whether transfer of shares in the listed investor company to its shareholders can be taxed as capital gains will be important to examine. Moreover, grounds for non -taxability will need to be built adequately.

SEBI has performed reforms in 4 key segments as far as delisting of listed companies is concerned. The basic primary thrust seems to be to try and make it easier for company's to delist. Thus, instead of RBB process which has been in some cases a bit of a thorn for company's trying to delist. It has proposed in the consultation paper itself that there should be a fixed price option as well. Further, in CNBC-TV18's discussion with the **Former Ex. Director SEBI, JN Gupta** with regards to the new reforms, he was of the view that, "*earlier counter offer was only possible if the price was not liked by the acquirer but 90% threshold plus shares were rendered. So here was a situation where even 90% shares were not rendered but there was a possibility of counter offer reason being, because in initial delisting offer then only the shareholders were having such a high expectation that a company is desperate to delist so they will pay any price so sometimes some investors were bidding at irrational prices.*"<sup>16</sup> Further, it is also provided in the consultation paper that based on promoter and public shareholding what is the minimum that to bring some

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<sup>15</sup> Section 112A, Income Tax Act, 1961.

<sup>16</sup> CNBC-TV18, "SEBI Consultation Paper proposes to significantly ease the process of delisting," YouTube (17<sup>th</sup> August 2023), [https://youtu.be/\\_mKaIpiKwVs?si=MTRURFeBNxr2jd1B](https://youtu.be/_mKaIpiKwVs?si=MTRURFeBNxr2jd1B).

sort of semblance to the process one needs to calculate the volume weighted average of the bids that upto 90% more than 90% has come that happens till 90%. However, if it is less than 90%, then calculation happens at upto entire bid.

Although such regulations are not definite in nature owing to the fact that whenever regulations are put to market test then some irritants happen thus making regulations to go through reforms everytime this occurs. Therefore, success of this facilitation is dependent on market and time.

Furthermore, there is no short-changing of investors because the option is available where there is a price which has been discovered based on demand and supply position of the market. It is only after 90% threshold is reached then there will be a situation where either investor render at that price or remains at listed price. Idea is that neither side should be suffering from.

Changes suggested by SEBI in the consultation paper in delisting norms:

<b>ALTERNATIVES TO REVERSE BOOK BUILDING PROCESS</b>	
<b>PROPOSED</b>	<b>EXISTING</b>
Promoters can propose a fixed price for delisting	Delisting price decided based on price at which shareholder tender shares
<b>COUNTER OFFER FRAMEWORK</b>	
<b>PROPOSED</b>	<b>EXISTING</b>
Threshold can be reduced for counter delisting offer	Achieve 90% shares of company to execute delisting.
<b>ELIGIBILITY TO MAKE COUNTER OFFER</b>	
<b>PROPOSED</b>	<b>EXISTING</b>
Bids received in first offer is higher than: - Difference between acquirer shareholding and 75% - 50% of public shareholding	It can be made irrespective of bid received in first offer
<b>REFERNCE DATE TO DETERMINE “FLOOR PRICE”<sup>17</sup></b>	
<b>PROPOSED</b>	<b>EXISTING</b>
Date of Board Meeting	Date of intimating stock exchanges on proposed board meet.

<sup>17</sup> Regulation 2(1)(m), SEBI (Delisting of Equity Shares) Regulations, 2021. Floor price is defined as, “minimum price offered by acquirer, computed in accordance with regulation 8 of Takeover regulations while making proposal for voluntary delisting of equity shares of a company.”

Further, SEBI has also proposed to bring out separate delisting regulations for investment holding companies under which transfer of shares in listed companies held by Investment holding company will be done to public shareholders also cash payments to public shareholders of the investment holding company will be done against investments in unlisted companies, this is to ensure that delisting price for investment holding companies reflects its right intrinsic value.

## **ROLE OF RESERVE BANK OF INDIA IN MONEY MARKET**

India's central bank, the Reserve Bank of India (RBI), was founded in 1935 while the country was still a British colony. It is essential to the economic growth of India and acts as the guardian of the nation's financial and monetary system. We will examine the RBI's responsibilities, its contribution to preserving financial stability, and its effects on the Indian economy in this extensive guide.

The RBI's main responsibilities include creating and carrying out monetary policy. The RBI controls the amount of money in the economy using a number of measures, including interest rates and open market operations. Maintaining price stability while making sure there is enough credit available to promote economic expansion is its primary goal.

### **Issuing and Managing Currency**

The RBI is in charge of controlling and issuing money in India. In order to satisfy the demands of the general public and the banking system, it guarantees a sufficient supply of coins and currency notes. In order to stop counterfeiting and preserve the integrity of the currency, the central bank also takes action.

### **Regulation and Oversight of Banking**

Supervising and regulating the Indian banking industry is one of the RBI's most important responsibilities. To preserve the stability of the banking system, it issues licenses to banks, establishes requirements for capital sufficiency, and keeps an eye on how they are operating. Under RBI supervision, banks are guaranteed to adhere to prudential standards and safeguard depositor interests.

### **Development of Financial Markets**

An essential part of the growth and management of India's financial markets is the RBI. It creates

regulations to encourage the expansion of financial markets, such as those for currency, government securities, and foreign exchange. These marketplaces are necessary for the economy's effective distribution of resources.

### **Management of Foreign Exchange**

The RBI's management of India's foreign exchange reserves is one of its most important duties. To protect the Indian rupee's value and the nation's external financial condition, it intervenes in the foreign exchange market. Foreign exchange control policies are also developed by the RBI.

### **Government banker**

The RBI serves as the Indian government's banker and financial advisor as well as that of the state governments. It promotes government borrowing, aids in account management, and supports the execution of fiscal policy. On behalf of the government, the central bank also issues securities.

### **Development and Financial Inclusion**

The RBI has made financial inclusion a top goal. It strives to guarantee that banking and financial services are available to all facets of society. Additionally, the central bank backs programs aimed at expanding and strengthening financial markets to increase public accessibility.

### **Systems of Payment and Settlement**

To guarantee the security and effectiveness of India's payment and settlement systems, the RBI keeps an eye on them. It runs the National Electronic Funds Transfer (NEFT) and Real-Time Gross Settlement (RTGS) systems, which make financial transfers and interbank transactions easier.

### **Customer Defence**

Another essential role of the RBI is safeguarding the interests of consumers in the financial industry. It manages complaints about banking services and establishes standards for ethical banking operations. Additionally, the central bank encourages consumer awareness and financial literacy.

### **Investigation and Information Sharing**

The RBI produces reports and data and carries out research on several facets of the Indian

economy. It offers insightful information about monetary policy, financial stability, and economic developments. The public, financial institutions, and politicians need to know this information.

## CONCLUSION

To sum up, the analysis of SEBI's securities law framework and how it affects the dynamics of delisting offers important new perspectives on the regulatory environment that oversees the Indian capital markets. By carefully examining the regulations and how they affect market players, we have been able to observe how intricate and complicated delisting procedures are. SEBI's strict delisting regulations and guidelines, which are designed to protect shareholder rights and guarantee transparency in corporate actions, demonstrate the organization's role as a guardian of investor interests, market integrity, and fair practices.

According to the study, SEBI's delisting framework is complex and balances the interests of various parties, such as minority shareholders, promoters, and the market as a whole. The rules support corporate transparency, but they also recognize that there must be some wiggle room to take into account special circumstances and commercial realities. The examination of delisting cases under SEBI's jurisdiction shows that regulatory decisions are frequently customized to particular situations, finding a middle ground between safeguarding minority shareholders and enabling promoters to leave the company. However, the analysis has brought to light a few issues and potential areas for development in the current framework. Concerns about equitable valuation procedures, protracted delisting procedures, and ambiguities in regulatory language are a few of the problems that require ongoing attention. Improving investor confidence, market efficiency, and the allure of Indian equities all depend on addressing these issues.

SEBI needs to adjust to the new challenges and trends due to the ever-changing global financial landscape. Maintaining investor confidence and cultivating a vibrant and competitive capital market ecosystem in India will require persistent efforts to optimize the delisting procedure, improve transparency, and advance strong corporate governance. The delisting process under SEBI's securities law framework is governed by a complicated and dynamic regulatory environment that strikes a careful balance between advancing investor convenience and protecting investor interests. Collaboration among regulatory bodies, market players, and other relevant parties is essential to tackling current issues and guaranteeing the sustainability and integrity of the Indian securities industry. This framework's analysis of delisting dynamics

provides a useful starting point for future debates, investigations, and policy improvements.

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